International Journal of Innovation, Creativity and Change. www.ijicc.net
Volume 16, Issue 2, 2022

The Effect Of Capital Structure And Company Size On Financial Performance Of Companies Moderated With Gender Diversity

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This study aims to determine the effect of capital structure and firm size on financial performance moderated by gender diversity in property and real estate companies listed on the Indonesia Stock Exchange in 2017-2020. The sampling method used is purposive sampling so that it uses a sample of 27 of 62 property and real estate companies. The type of data used is secondary data in the form of annual financial reports obtained through the idx.com site. The data analysis method used in this study is Panel Data Regression and Moderate Regression Analysis using Eviews 10 software. The results show that Capital Structure has a negative and insignificant effect on Financial Performance, Company Size has a negative and insignificant effect on Financial Performance, Gender Diversity can moderate the relationship between Capital Structure and Financial Performance positively and significantly and Gender Diversity cannot moderate the relationship between Firm Size and Financial Performance.

Keywords. *Capital Structure; Company Size; Financial Performance; Gender Diversity.*

Introduction

Jumingan (2006) states that financial performance is a reflection of how well a company is managed based on financial reports published in a certain period. Property sector companies experienced a negative performance throughout 2018 of 9.64 percent (Aziz et al, 2019). Then in

2019 the property industry grew 10.9 percent from the previous year, while in 2020 the industry experienced a decline of around 60 percent from the previous year. (economybusiness.com). From the results of a survey conducted by Bank Indonesia (BI) it was noted that there was a decline related to home sales in the primary market for 3 months at the beginning of 2020, down 30.52 percent or deeper than the previous quarter, which was -16.33 percent and compared to the same quarter. last year by 23.77 percent (bisnis.com). One example of a company in this sector experiencing a decline is PT Bumi Serpong Damai Tbk which recorded a sharp decline in performance in the first quarter of 2020, which was 57.1 percent compared to the fourth quarter of 2019.

The problem of declining profitability in the property and real estate sector will have an impact on the company's financial performance. So to increase profits, companies need to pay attention to the efficiency of company funding. This funding efficiency is reflected in the company's capital structure. There are several theoretical studies that explain the relationship between capital structure and financial performance, including research conducted by Sutrisna & Sutria (2015) and Nassar (2016) which shows that there is a significant relationship between capital structure and financial performance. Different research results were found in research conducted by Harsono & Pamungkas (2020) stating that capital structure has no significant effect on financial performance.

Determination of a company's performance is also influenced by the size of the company (Azzahra & Nasib, 2019). Company size is a determinant of the size of the company which is seen from the total value of assets and total sales. The relationship regarding company size and other variables to financial performance has been carried out by Diana & Osesoga (2020), Hastuti (2017) and Zhou (2019) which results in that company size has a significant positive effect on financial performance. Different research results were found in the research of Febriani & Isyunawardhana (2020) and Epi (2017) which stated that company size had a negative and insignificant effect on financial performance.

A company must have a top management consisting of a board of commissioners and a board of directors. Top management is tasked with carrying out company activities and making decisions with the aim of improving the company's financial performance. Where the decision making made by top management is influenced by several factors including gender diversity (Winas, 2020). This is evidenced by the existence of laws in countries such as Norway, Spain, France, the Netherlands and Italy that require 40% of company directors to be women (Rose, 2007; Adams & Ferreira, 2008). The relationship between gender diversity and financial performance has been investigated by Pasaribu, et al (2019), Gordini & Racanti (2017) who found that gender diversity had a significant effect on financial performance. In addition, Santoso & Wahyudi (2021) conducted a study using gender diversity as a moderating variable between GCG and CSR and financial performance, where the results of this study indicate that gender diversity can moderate the relationship between GCG and financial performance but not with CSR.

There are contradictions from the results of previous studies, causing inconsistencies in the results of the research and deserve to be re-examined. So with this the researcher wants to add a gender diversity variable as a moderating variable between capital structure and company size on financial performance, which is a renewal in this study. Based on the background described above, the research focus can be formulated to include; (1) How is the Effect of Capital Structure on the Company's Financial Performance; (2) How is the Effect of Company Size on the Company's Financial Performance; (3) How Gender Diversity Moderates the Effect of Capital Structure on Financial Performance; (4) How Gender Diversity Moderates The Effect of Firm Size on Financial Performance.

Literature Review

Agency theory is a theory popularized by Jansen & Mackling (1976) where this theory explains the contractual relationship between the agent (management) and the principal (company owner), the agent is given the authority to manage the company and the right to make decisions by the principal. According to Gwenda and Juniarti (2013), the basic concept of agency theory is agency problems that arise when there is a separation of ownership of company management funds. This will cause a conflict of interest. Conflicts of interest occur because of the different goals of each party, namely the agent and the principal (Jensen & Meckling, 1976).

Resource dependence theory was first proposed in 1976 by Pfeffer and Salancik and was developed to provide an alternative view to economists. According to Pfeffer & Salancik (1978) in the theory of resource dependence, the board is the main mechanism for linking companies with environmental dependence. In research conducted by Irwansya, et al (2020) the theory of resource dependence shows how the increasing resources provided by board members such as skills, information, legitimacy, and access to key constituents will increase due to the diversity of the board. So it can be concluded that the theory of resource dependence is the basis for the argument about diversity in the composition of the board.

According to Fahmi (2015) capital structure is a source of financing for a company that describes the form of the company's financial proportions, namely between the capital structure sourced from long-term liabilities and its own capital (shareholders equity). In agency theory, capital structure is determined from agency costs that arise due to conflicts between agents (managers) and principals (company owners or shareholders). This theory ensures that the use of debt as the company's main source of funding will increase the agency costs that arise. In this study the capital structure with DER. The high value of DER reflects the company's financial risk which indicates the company is having difficulty in repaying its obligations which will have an impact on its financial performance. So it can be said that the capital structure affects financial performance. This is supported by the results of research by Sutrisna & Sutria (2015), Nassar (2016), Tri Hastuti (2017) and Zhou & Shihombing (2019) which found a significant relationship between capital structure and financial performance.

Firm size can be interpreted as a scale measure that classifies the size of a company based on the number of assets, stock market value, and others (Yunus & Tarigan, 2020). In this study, total assets will be used in measuring company size. According to Sartono (2010: 249) states that "Large companies that are well established where the company will be easier to enter the capital market than small companies". With the ease of obtaining capital which will later be used as operational funding, the company will have the ability to increase its productivity which in turn improves its financial performance. This shows that the size of the company has an influence on the financial performance of a company because the level of profit generated by the company will determine the good or bad financial performance of a company. This statement is followed by the research results of Diana & Osesoga (2020), Antoni, et al (2020), Tri Hastuti (2017) and Zhou (2019) which state that company size has a significant relationship with financial performance.

The existence of a woman in the composition of the board of directors is no stranger. The leadership of a woman is considered better because they tend to avoid risk. In the resource dependence theory, it is stated that the involvement of the female board of directors in the company's operational activities is better than that of the male directors because they are more concerned and sensitive to the environment. Having diversity in the board of directors will provide valuable resources and have an impact on improving the company's financial performance. According to Yogiswari & Badera, (2019) the presence of women in company board members affects companies to be able to have better performance compared to companies that do not have women board members, in addition if women occupy top management positions in the company, financial performance will increase. Research that discusses gender diversity as a moderating variable has been studied by Santoso & Wahyudi (2021) who conducted research using gender diversity as a moderating variable between GCG and CSR with financial performance, where the results of this study indicate that gender diversity can moderate the relationship between GCG on financial performance but not with CSR.

Research Method

The research method used is descriptive quantitative. The research population is property and real estate companies listed on the Indonesian stock exchange in 2017-2020. The type of data used is secondary data in the form of annual financial reports obtained from the idx.com site. The technique used in selecting the sample is purposive sampling with several predetermined criteria so that a sample of 27 companies is obtained. The variables used in this study are capital structure and firm size as independent variables, financial performance as the dependent variable and gender diversity as a moderating variable. The analytical method used in this research is panel data regression and Moderate Regression Analysis (MRA) using Views 10 software.

Panel data is a statistical method which is a combination of time series and cross section data. The models used in this analysis:

Model 1

$$Y = \alpha + \beta 1X1 + \beta 2X2 + e$$

Information:

Y = Financial performance

α = Constanta

β1, β1 = Regression Coefficient

e = Error

Moderated Regression Analysis

Moderated regression analysis or interaction test is a test which in the regression equation contains an element of interaction (multiplication of two or more independent variables). According to Junaidi (2019) the moderation regression equation model is formulated with:

Model 2

$$M1 = \alpha + \beta 1X1 + \beta 2Z + \beta 3X1Z + e$$

$$M2 = \alpha + \beta 4X2 + \beta 5Z + \beta 6X2Z + e$$

Information:

M = Moderation

X1 = Modal Structure

X2 = Company Size

Z = Gender Diversity

α = Constanta

β1 – β6= Regression Coefficient

e = Error

RESULT AND DISCUSSION

Some of the results and discussions in accordance with the focus of the problem in the study will be described in the section below.

Table 1 Descriptive Statistics Test

	X1	X2	Z	Y
Mean	0.759593	26.80685	0.281528	0.019898
Median	0.585500	28.23200	0.270500	0.015500
Maximum	3.701000	31.74000	0.667000	0.175000
Minimum	-10.25600	15.59600	0.071000	-0.120000
Std. Dev.	1.331562	3.569835	0.149547	0.055026
Skewness	-4.883001	-1.223928	0.482203	0.063311
Kurtosis	44.99247	4.217843	2.247189	3.257822
Jarque-Bera	8364.342	33.63815	6.735608	0.371274
Probability	0.000000	0.000000	0.034465	0.830575
Sum	82.03600	2895.140	30.40500	2.149000
Sum Sq. Dev.	189.7170	1363.578	2.392979	0.323980
Observations	108	108	108	108

Source: Eviews10 Results, 2022.

Based on table 1 contains information related to the minimum value, maximum value, average (mean) and standard deviation for each variable. For the capital structure variable, it is known that based on the results of descriptive statistical tests, the minimum value is -10.256, the maximum value is 3.701, the average value (mean) is 0.759. The capital structure variable has a minimum value of 15,596, a maximum value of 31,740, an average value (mean) of 26.806 and a standard deviation of 3.569. Furthermore, the financial performance variable has a minimum value of -0.120, a maximum value of 0.175, an average value (mean) of 0.019 and a standard deviation of 0.055. Finally, for the gender diversity variable, the minimum value is 0.071, the maximum value is 0.175, the average value (mean) is 0.281 and the value of the standard deviation is 0.149.

Classic assumption test

Based on the results of the classical assumption test performed using the Views 10 software, the results are as follows:

1) Normality test, based on the tests that have been carried out, it was found that the significant value of J-B was 2.441 with a p-value of 0.295, which is greater than 0.05 so that the assumption of normality can be met.

2) Multicollinearity test, based on the tests that have been carried out, found that the four variables have a correlation value of less than 0.8 which proves that there are no symptoms of multicollinearity between independent variables.
3) Heteroscedasticity test, based on the tests that have been carried out, it was found that the three significant values generated in the three variables showed that the significant value was > 0.05, which means that there is no heteroscedasticity relationship.
4) Autocorrelation test, based on the tests that have been carried out, found that the D-W value is 2.0846, then the dL value is 1.6488 and d U is 1.7241 (obtained from the Durbin-Watson table with n=108 and k=2). So that this result will be d U < d < 4 – d U or 1.7241 < 2.084 < 4 – 1.7241, it can be concluded that there is no autocorrelation in this research data.

Furthermore, panel data regression analysis (model 1) was carried out, the results can be seen in the following table.

Table 2 Chow test results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.154853	(26,78)	0.3065
Cross-section Chi-square	35.171790	26	0.1080

Source: Views 10 Results, 2022

Based on table 2 showing the test results from the Chow test, a probability value of 0.180 is obtained, which is greater than 0.05, so the common effect model (CEM) is used as the estimation model.

Table 3 panel data regression test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.082901	0.038697	2.142302	0.0345
X1	-0.002119	0.003792	-0.558898	0.5774
X2	-0.000923	0.001422	-0.648940	0.5178
Z	-0.130208	0.034018	-3.827564	0.0002

Source: Views 10 Results, 2022

Based on the common effect model test, it can be seen the value of the coefficient constant so that the panel data regression equation (model 1) can be formed as follows:

$$Y = 0.082901 – 0.002119\ X1 – 0.000923 + e$$

The value of the Capital Structure coefficient (X1) is -0.002119, which means that for every additional 1 unit in the capital structure (X1) assuming other variables are constant, the financial performance (Y) will decrease by 0.002119. Then the value of the coefficient of firm size (X2) is 0.000923, which means that for every additional 1 unit of firm size (X2) assuming other variables are constant, the financial performance (Y) will decrease by 0.000923.

Based on the results presented in table 3, it can also be seen the results of the T test.

Where for the capital structure variable (X1), the t-statistic value (t-statistic) is -0.558898 with a significant level in the study of 5%, then the resulting t table is 1.65950 (df = 108-3), it is obtained that t arithmetic < t table is -0.558898 < 1.65950 then H0 is accepted in other words the capital structure variable has no significant effect on financial performance. Then for the firm size variable (X2) based on table 4.8, the t-count value (t-Statistics) is -0.648940 with a significant level in the study of 5%, then the resulting t table is 1.65950 (df = 108-3), it is found that t arithmetic < t table is -0.648940 < 1.65950 then H0 is accepted in other words the firm size variable has no effect.

In the panel data regression test also obtained results from the R2 value of 0.133547 This value can explain that the capital structure and company size variables are able to influence or explain the financial performance variables simultaneously or together by 13.36%, the remaining 86, 64% is influenced by other factors that are not included in the research variables. Then the value of the resulting F test is 0.0018 which indicates that all independent variables, namely capital structure and company size, simultaneously have a significant effect on financial performance. Moderate regression analysis (Model 2), see on table 4.

Table 4 Moderation Test Results One

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.092655	0.016343	5.669354	0.0000
X1	-0.039226	0.013867	-2.828713	0.0056
Z	-0.245163	0.051801	-4.732766	0.0000
M1	0.132957	0.047767	2.783446	0.0064

Source: Vies 10 Results, 2022

Based on table 4.9, the interaction test equation is obtained as follows:

$$Y = 0{,}092655 – 0{,}039226\ X1 – 0{,}245163\ Z + 0{,}132957\ M1$$

Based on the results of the significance test, it is known that the coefficient value of M1 is 0.01329557 which is positive. This value can be interpreted that gender diversity can strengthen the capital structure on financial performance. Furthermore, it is known that the significant value of M1 is 0.0064, where this value is less than 0.05, gender diversity has a significant effect in moderating the effect of capital structure on financial performance.

Table 5 Moderation Test Results Two

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.178168	0.096238	1.851327	0.0670
X2	-0.004433	0.003488	-1.271004	0.2066
Z	-0.601324	0.425915	-1.411839	0.1610
M2	0.017045	0.015310	1.113337	0.2681

Source: Views 10 Results, 2022

Based on table 4.10, the interaction test equation is obtained as follows:

$$Y = 0{,}178168 – 0{,}004433\ X1 – 0{,}601324\ Z + 0{,}017045\ M2$$

Based on the results of the significance test, it is known that the coefficient value of M2 is 0.017045 which is positive. This value can be interpreted that gender diversity can affect the size of the company. Then for the significant value generated in this test of 0.2681 where this value is more than 0.05, it can be interpreted that gender diversity has no significant effect in moderating the effect of company size on financial performance.

CONCLUSSION

Based on the explanation of the results of research and discussion on the influence of Capital Structure and Company Size on Financial Performance Moderated by Gender Diversity in Property and Real Estate Companies Listed on the Indonesia Stock Exchange in 2017-2020 in the previous research, several conclusions can be drawn, namely:

1) Capital Structure has a negative and insignificant effect on the Financial Performance of Property and Real Estate Companies listed on the Indonesia Stock Exchange in 2017-2020. This means that any increase in the value of the capital structure will increase the risk of a decline in financial performance.
2) Company size has a negative and insignificant effect on the Financial Performance of Property and Real Estate Companies listed on the Indonesia Stock Exchange in 2017-2020. This means that every increase in the size of the company will reduce the value of the company's financial performance.
3) Gender Diversity can moderate the influence of Capital Structure on Financial Performance in a positive and significant way in Property and Real estate Companies listed on the Indonesia Stock Exchange in 2017-2020. This means that the presence of women in the composition of the board of directors and commissioners in the company will strengthen the capital structure of financial performance.
4) Gender Diversity cannot moderate Company Size on Financial Performance in Property and Real estate Companies listed on the Indonesia Stock Exchange in 2017-2020. This means that the presence or absence of women in the leadership of the board of directors and commissioners does not affect the relationship between company size and financial performance.

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